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May 24, 2006

Andy Pollock
Executive Director
Nebraska Public Service Commission
1200 N Street, Suite 300, Lincoln, NE 68508

Re: Docket No. NUSF-50; Embarq Corporation's Comments in
Response to Progression Order No. 2

Dear Mr. Pollock:

Please accept for filing an original and five copies of Embarq Corporation's comments in this matter. Please do not hesitate to contact me or Jim Roberts, at (651) 222-0951, if you have any questions or concerns.

Sincerely,

William E. Hendricks

WEH/sm
Enclosure

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

In the Matter of the Commission, on its)	Application No. NUSF-50
own motion, to make adjustments to the)	
universal service fund mechanism)	Comments of Sprint in Response to
established in NUSF-26.)	Progression Order No. 2
)	

COMMENTS OF EMBARQ CORPORATION

Embarq Corporation, on behalf of United Telephone Company of the West d/b/a Embarq, respectfully submits these comments in response to the questions set forth in the Commission's Progression Order No. 2 in this docket, entered into on February 28, 2006.

In this Progression Order, the Commission seeks comments on the porting of NUSF support from an incumbent NETC to a competitive NETC offering service through the use of unbundled network elements ("UNEs"). The Commission's actions in two other pending dockets will impact this proceeding: NUSF-50 Progression Order No. 1, which is examining possible changes to the NUSF distribution mechanism, and C-3554, which is examining the possibility of creating additional UNE zones. Therefore, the Commission should proceed carefully and not make decisions in any one of these dockets without considering how the others might be affected.

Embarq supports the Commission's goals of porting NUSF support to CLECs that are providing service through the purchase of UNEs. The NUSF support

properly belongs with the company that is incurring the cost associated with line. Because UNE rates are cost-based, the UNE purchaser (the CLEC) incurs the “cost” of the line. Therefore, it is right that the CLEC receive support because the ILEC’s costs are covered from the cost-based UNE rate it receives. However, there are many variables that impact a carrier’s ultimate cost of providing service, and determining the proper amount of NUSF support to be ported will be a complicated process. In light of the other proceedings, mainly C-3554, which creates new UNE zones, the Commission should take its time to accurately calculate loop costs for ILECs and CLECs, using Commission approved cost studies, as well as the correct amount of portable NUSF support.

The Commission presents a proposed Porting Method (“PM”) for calculating the monthly per-line NUSF portable support amount. The PM assumes, based on Qwest’s UNE rates, that costs are higher in the rural areas and essentially would direct all portable NUSF support to access lines in those areas. However, it appears that the PM, as proposed, has the potential to port more NUSF dollars to the CLEC than is actually received by the incumbent for those same access lines.

When calculating the per-line portable support, the Commission must consider the finite size of the NUSF. The fund size is currently \$65M (and may go down as a result of the Commission’s decision last year to reduce the surcharge). The NUSF-26 Distribution Model allocates that \$65M among the ILECs based on

each ILEC's proportion of the Monthly Expected Support ($E(\text{Sup}/\text{SA})$) to the total. Therefore, in some cases ILECs may not be recovering, through rates and NUSF support, the entire cost of the loop. The PM, on the other hand, appears to calculate the expected per-line support for CLECs as the difference between the UNE Loop Rate and the Loop Revenue Benchmark, with no subsequent allocation of the support for available funds. It appears that CLECs might therefore be able to recover the entire cost of the loop through rates and NUSF support. The difference in the treatment of support calculations between ILECs and CLECs is not competitively neutral.

In summary, the Commission should work to ensure that any action it takes in regards to porting NUSF support does not allow a CLEC to receive more support than that received by the ILEC.

Respectfully submitted this 24th day of May, 2006.

By: 

William E. Hendricks
Attorney for Embarq Corporation